Contents:

	Page
Problems in the Midst of Prosperity	5
THE UNITED STATES ECONOMY IN 1965	11
Business Conditions: The Economy Approaches Full Use of Resources	11
Background	11
1965: A year of rapid growth	14
Monetary Policy: Moves Toward Restraint	20
The Credit and Capital Markets: Rising Demands Met on Firmer Terms	26
THE UNITED STATES AND THE WORLD ECONOMY	30
The United States Payments Balance: Distinct but Insufficient Improvement	30
International Monetary Cooperation: A Year of Progress and Study	39
Industrialized Countries: Mixed Trends	42
The Less Developed and Eastern European Countries	45
THIS BANK'S OPERATIONS	46
Volume and Trend of the Bank's Operations	46
Domestic operations	46
Foreign and international operations	49
Financial Statements	50
Statement of condition	50
Statement of earnings and expenses	52
Changes in Membership	53
Changes in Directors and Officers	54
Changes in directors	54
Changes in officers	55
Member of Federal Advisory Council—1966	58
List of Directors and Officers	59

CHARTS

	Page
Chart 1: Gross National Product	12
Chart 2: Unemployment	16
Chart 3: Changes in Consumer and Wholesale Prices	19
Chart 4: Long-term and Short-term Interest Rates	21
Chart 5: The Liquidity Position of the Public	24
Chart 6: Net Funds Raised by Private Domestic Nonfinancial Sectors	27
Chart 7: The United States Balance of Payments and its Major Components	31
Chart 8: Production and Prices in Selected Countries	42
Chart 9: Central Bank Discount Rates	44